

IRS EXPANDS CREDIT CARD PAYMENTS FOR NEXT YEAR

WASHINGTON -- After a successful test of accepting credit card payments this year, the Internal Revenue Service will expand their availability to individuals seeking automatic extensions of time to file returns and those making estimated tax payments for tax year 2000. There will also be new opportunities to file and pay taxes electronically.

The IRS offers these electronic payment options through partnerships with private industry, including credit card processors and tax preparation software developers. More than 129,000 people paid their federal taxes by credit card or direct debit transactions during the 1999 pilot.

"We've been pleased with the positive response from taxpayers to our electronic payment alternatives, and with the private sector partnerships which have made these options possible," said Robert E. Barr, IRS Assistant Commissioner for Electronic Tax Administration. "Making the whole tax process -- filing, signing and paying -- fully electronic advances our goal of transacting 80% of our business electronically."

All individuals will again be able to use the pay-by-phone system to charge tax payments to American Express, Discover or MasterCard accounts. This system will accept three types of payments:

- the balance owed on a 1999 return;
- a projected balance of 1999 taxes due on a request for an automatic extension of time to file; or
- an estimated tax payment for tax year 2000.

Taxpayers charging an automatic extension or estimated tax payment will not have to file the associated paper Forms 4868 or 1040-ES. The phone system, operated by Official Payments Corporation (formerly U.S. Audiotex), of San Ramon, Calif., will open January 14, 2000. The estimated tax payment option will become available March 1, 2000.

Three tax software developers will offer e-file and pay combinations for individuals. In these programs, the credit card payment information is part of the electronic return filed.

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- Intuit, of Mountain View, Calif., which piloted this option for personal computer users last year, will expand its program to people using its Web filing service and to tax preparers using its professional series software. The Intuit programs will allow tax payments only with the Discover Card.
- Nelco, an e-filing transmitter and software developer located in Green Bay, Wisc., will include an option for payments using an American Express Card for both online filers and taxpayers e-filing through tax professionals.
- Orrtax Software, of Bellevue, Wash., will partner with Official Payments Corp. to allow charges to the same three cards used on the phone system to be included in returns e-filed through tax professionals.

The IRS does not set or collect any fees for credit card payments, but the private sector partners may impose convenience fees, based on the tax amounts charged.

All individuals who file electronically -- including those using TeleFile, the file-by-phone system -- will be able to have the balance due debited directly from their bank accounts. Many people already use such direct debits for their mortgages, auto loans or utility bills. Last year, the IRS limited direct debits to computer-filed returns.

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